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**ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

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**SOCIAL ENTREPRENEURSHIP IN THE DEVELOPMENT OF ORGANIC PRODUCTION IN UKRAINE**

**Abstract.** Different approaches to the definition of "social entrepreneurship" are analyzed. The role of social entrepreneurship in the field of organic agriculture is determined. There are several opportunities for the development of the social entrepreneurship in Ukraine are found out. The components of successful development of organic agriculture on the basis of social entrepreneurship in Ukraine are listed. It is illustrated the international and domestic examples of the successful social enterprises. The project of the social enterprise in the sphere of organic production is offered.

**Keywords:** social entrepreneurship; organic agriculture; organic production; product.

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**СОЦІАЛЬНЕ ПІДПРИЄМНИЦТВО У РОЗВИТКУ ОРГАНІЧНОГО ВИРОБНИЦТВА В УКРАЇНІ**

**Анотація.** Проаналізовано різні наукові підходи до визначення поняття "соціальне підприємництво". Визначено роль соціального підприємництва в області органічного сільського господарства. Визначено можливості для розвитку соціального підприємництва в Україні. Наведено складові успішного розвитку органічного сільського господарства на основі соціального підприємництва в Україні. Проілюстровано міжнародний та вітчизняний приклади успішних соціальних підприємств. Запропоновано проект соціального підприємства у сфері органічного виробництва.

**Ключові слова:** соціальне підприємництво; органічне сільське господарство; органічне виробництво; продукція.

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**СОЦИАЛЬНОЕ ПРЕДПРИНИМАТЕЛЬСТВО В РАЗВИТИИ ОРГАНИЧЕСКОГО ПРОИЗВОДСТВА В УКРАИНЕ**

**Аннотация.** Проанализированы различные научные подходы к определению понятия "социальное предпринимательство". Определена роль социального предпринимательства в области органического сельского хозяйства. Определены возможности для развития социального предпринимательства в Украине. Приведены составляющие успешного развития органического сельского хозяйства на основе социального предпринимательства в Украине. Проиллюстрировано международный и отечественный примеры успешных социальных предприятий. Предложен проект социального предприятия в сфере органического производства.

**Ключевые слова:** социальное предпринимательство; органическое сельское хозяйство; органическое производство; продукция.

**Urgency of the research.** The organic production plays an important role in providing a sustainable development of the national economy and determined as the priority direction of agriculture in Ukraine, which is able to satisfy needs of the population in high-quality products. Organic production is labour-consuming and requires use of a manual work, but due to the lack of the corresponding incentives outflow of able-bodied population from the rural zone to the cities is observed. The social entrepreneurship is particularly important in the production of organic agricultural products because such a system can solve social problems in the new ways, which can provide

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employment to the unprotected segments of the population, promote overcoming poverty and environmental protection.

**Target setting.** In spite of the fact that the social entrepreneurship hasn't been fixed at the legislative level in Ukraine yet, however there are favourable conditions for its development. Therefore there is a need of studying of the international experience of implementation of the social entrepreneurship and its adaptation in Ukraine for ensuring effective functioning of the sphere of organic production and achievement of sustainable development of the country.

**Actual scientific researches and issues analysis.** There are many domestic and foreign scientists whose works are devoted to the theoretical and methodological issues of the development of organic agriculture including V. Chudovska, C. Foster, Ie. Havaza, A. Khodakivska, H. Niberh, P. Midmore, F. Offermann, S. Padel and others. A big contribution to the determination of nature and further development of the social entrepreneurship is made in the papers of such scientist as K. Banks, D. Bornstein, S. Davis, M. Gawell, B. Johannisson, M. Lundqvist, A. Nicholls, Jan.-U. Sandal and others.

**Uninvestigated parts of general matters defining.** In spite of a big contribution listed scientists into a modern scientific development of the theory and practice of formation an effective market of organic agricultural products in Ukraine, some questions remain insufficiently studied and require further development, particularly in defining the features of introduction of the social entrepreneurship in Ukraine and its place in the development of organic agriculture.

**The research objective.** The main goal of this study is to determine the role of the social entrepreneurship in the field of organic agricultural production.

**The statement of basic materials.** The term "social entrepreneurship" has appeared only 35 years ago. Nevertheless, the social entrepreneurs have always existed and they should not be referred to as philanthropists, reformers, leaders etc.

According to Ken Banks, social entrepreneurship is "a specific term to describe those driven, persistent, ambitious individuals working on innovative solutions to society's most pressing social problems" [1, p. 1]. In Banks' understanding, a separate person leads the social entrepreneurship and brings an innovative idea to solve the most urgent problems of society.

David Bornstein and Susan Davis define social entrepreneurship as "a process by which citizens build or transform institutions to advance solutions to social problems (e.g., poverty, illness, illiteracy, environmental destruction, human rights abuse) in order to make life better for many [2, p. 1].

Malin Gawell holds that societal entrepreneurship is "about initiating and realizing collective, entrepreneurial and often (but not always) innovative processes aiming to strengthen a definable part of society in such a way that the large majority of its citizens may freely (or at a marginal cost) enjoy the results of the processes - with the assumption that such processes are not concerned with traditional social policies or any existing public administration" [3, p. 43].

The two last determinations are more extended and both claim that the social entrepreneurship is a teamwork where the main purpose is an achievement of general social value. In our opinion, the last mentioned definition is complete as it says that the social entrepreneurship exists apart from government.

Jan-Urban Sandal defines social entrepreneurship as "a special form of management, which purpose is to run a production function in such a way as to ensure increased value for all the participating parties in that function" [4].

According to this definition, we can see that there is a parallel between social entrepreneurship and organic production. In our opinion, the role of organic production in solving the problems of social and economic development of Ukraine should be determined depending on the members of the market of organic products (state, producers, consumers) based on the definition of certain benefits and usefulness, which they receive from organic production.

As we can see, there are many definitions of this term. The main point that combines analyzed definitions is the result of providing the social entrepreneurship, namely making appropriate decisions for solving social challenges in an innovative and sustainable way.

In the field of organic agriculture social entrepreneurship aims at achievements of threefold result:

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1) profit, which allows the company to grow and compete with others, and most importantly to spend it for;

2) solution of social problems and

3) improvement of surrounding environment.

The social value of the social entrepreneurship has a great positive influence on the society. Social entrepreneurship: helps to provide public services in a new way and meet the needs of the community; creates new jobs; involves disadvantaged groups of society into a public life, providing their members with work; strengthens attention to socially vulnerable groups of the population, through providing them with useful socially meaningful work; revives rural and urban areas and improves their social infrastructure etc.

These goals are very important for every country, and nowadays especially for Ukraine. That is why it is necessary to investigate and implement social entrepreneurship as contemporary situation demands new solutions on emerging issues in social and economic sectors of Ukraine [5, p. 133].

There are several opportunities for the development of the social entrepreneurship in Ukraine:

1. Absence of a law that regulates the social entrepreneurship allows the social enterprises to operate according to existed legislation in Ukraine.

2. Availability of subjects that are not involved in traditional business (people with disabilities, refugees (internally displaced persons), national minorities, elderly, people with addictions, former prisoners).

3. International foundations and organizations support social entrepreneurship and that gives an opportunity to get additional sources of financing. Nowadays, organic production is supported by international organisations as FiBL (Switzerland), GIZ (Germany), Argoinvest (the USA) etc. In addition, there is a lending program of social enterprises in cooperation with WNISEF in Ukraine. According to the program, the credit can be obtained for the purchase of equipment, real estate, replenishment of current assets in the amount of from 10000 to 100000 USD under 5-9% per annum with crediting term to 36 months.

In our opinion, there are some components of successful development of organic agriculture based on social entrepreneurship in Ukraine:

1. The government should take care of establishing tax incentives for social enterprises, which can reduce indirect taxes when market income is insufficient to support their social activities. For example, the USA government support of the development of social enterprises is reduced to:

- elimination of legal administrative barriers,

- support preferential loans,

- development of social partnership between the state organizations, business, and non-commercial sector,

- company is guaranteed the possibility of social orders from government agencies.

2. Clearly defined social objectives should be fixed in statutory documents of the enterprise.

3. Profits are reinvested in the expansion and / or directed at achieving social objectives. It is important to involve all interested parties in making such decision; it would illustrate the openness and transparency of the social enterprise.

4. The promotion of the image of social enterprises. Social entrepreneurship is very important in the field of organic agriculture and is able to solve social problems in the new ways. It does not mean that the organic producers only have to produce organic products, it means that the production of such products has to change the way of lifestyle of the population for the achievement of a sustainable development of the country as a whole.

Demand for organic products can be increased through motivating the population to use safe and useful national organic products. It is necessary to create a national ideology of healthy living and clean environment through adequate information about proper nutrition, the advantages of organic products. It can be organized through special fairs, seminars, and conferences [6].

One of the brightest examples of successful social entrepreneurship is Farmers School, established in Russia in 2009 [7]. The mission of this organization is a social adaptation and integration of graduates of orphanages.

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The social enterprise is about to solve the following social problem:

- alienation graduates of orphanages from society,
- lack of skill social adaptation and career guidance,
- lack of housing for graduates,
- the extinction of villages and the reluctance of young people living in rural areas.

The essence of such social business consists of:

- training the participants of the project basics of farming,
- building the housing for young farmers and teachers by common efforts,
- establishing production process.

This project was supported by the fund "Our Future" as a part of the regional competition. A farm was organized and a youth village was built.

In Ukraine Chervonopromin rural Charitable Foundation "Hellas" is an example of the successful functioning of the social enterprise in the sphere of the agricultural industry. It was founded in 2008 and is engaged in cultivation and sale of fruits, berries, vegetables and provision of agricultural services. The social part of the company is providing children in rural areas with organic food, improvement of nutrition in school, kindergarten, reducing the cost of food. The results of the enterprise is free providing students and pupils of Chervonopromin educational complex with tomatoes, red beets, onions, cabbage, potatoes, parsley; provision workers of the welfare sphere of the village with services (plowing, cultivation, transport services) at the prices which are lower that at the market; offering free services in the handling of the school parcel of land.

In our opinion, it is possible to create the social enterprise in the sphere of organic production in Ukraine (Table 1).

Table 1

**The project of social enterprise in the field of organic production**

Direction	Agriculture
The commercial component of the enterprise	Production and sale of organic products
The social purposes of the enterprise	<ul style="list-style-type: none"> <li>- Job security of socially unprotected segments of the population (disabled people, pensioners, students, refugees, last prisoners, etc.).</li> <li>- Educational work in society through holding free cultural and educational events (pieces of training, seminars for pupils, students, scientific and pedagogical stuff).</li> <li>- Formation of a healthy lifestyle and sustainable consumer demand on organic products.</li> <li>- Providing population with organic food.</li> <li>- Cooperation with the international public organizations and funds.</li> </ul>
The document in which the social purposes are stated	Statute, business plan
Profit distribution	Cost value of organic production is high therefore it is reasonable to share profit as follows: 90% - reinvestment 10% - the social purposes
Way of creation of the enterprise	<ul style="list-style-type: none"> <li>- Structural division of educational institution</li> <li>- Separate enterprise.</li> </ul>

\* created by Kh. Shtyrkhun, 2016

Organic products is a new direction for Ukraine that is why organic producers can be social entrepreneurs and nowadays their task is to spread such novelty among the population, organizations, trade, and industry.

**Conclusions.** Organic production carries out a very important social and economic role. The social orientation of organic production is that it creates a specific market that meets the needs of consumers in organic products, provides general welfare, rural development and promotes environment protection. Economic feasibility of the introduction of organic production in Ukraine consists in the

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increase of profitability of agricultural producers, strengthening of competitiveness and image of the country in international markets, providing a sustainable development of national economy.

Social entrepreneurship is business activities aim at mitigation or resolving social problems. Thus, the social entrepreneur is able to see the shortcomings of the market and find opportunities to accumulate resources, develop new solutions, and create environmental awareness that will have long-term positive impact on society as a whole.

In conclusion, we can say that use of entrepreneurial approaches to the solution of social problems through organic production will provide a sustainable development for vulnerable groups of society, lifts social entrepreneurship on a new level of development in Ukraine.

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